

~~SECURITY INFORMATION~~~~INVESTIGATIONS~~

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MEMORANDUM FOR: Deputy Director/Intelligence
 FROM: Assistant Director/DCI

SUBJECT: Comments on Control of Trade with the Soviet Bloc,
Interim Report, Committee on Government Operations,
Senate Permanent Subcommittee on Investigations,
U. S. Senate, 83rd Congress, 1st session (July 1953).
 57 pp.

Summary

1. Subject report contains generally the vessel and tonnage figures as they were supplied to the committee in unclassified releases either directly by COMI (origin: IC3), or through COMIS. While there are numerous inaccuracies in the report, they are, with one or two exceptions, minor. Inaccuracies in the report derive from: (a) testimony quoted out of context; (b) methods of questioning in committee hearings which did not permit testifying officials adequately to qualify their answers; (c) requests for data which did not bring out sufficient facts for a balanced picture; and (d) speed at which the materials had to be assembled. As regards subject report, security information supplied to the committee has been kept in confidence. Such few near-violations as do appear in the report were due to time limits placed by the committee on supplying agencies and the extremely large volume of classified data from which releasable information had to be culled. The report concludes that serious gaps exist between US and allied controls, particularly in the China trade. The report supplies no new information. It advocates for all non-NATO countries a policy of outright economic warfare against the Bloc, with special emphasis upon the Far East and definite abandonment of controls limited to strategic goods and services in favor of controls over practically all goods and services. The subject report apparently contains no data of CIA origin.

Review of Report Draft by Contributing Agencies

2. The textual draft for the Confidential Committee Print was made available for review by COMIS, DDCI/DP State, and COMI about 7-9 July 1953. COMIS had two days to review the text, and only two of their minor suggestions for corrections were accepted. (Letter from Adm. Delany to Flanagan, 9 July 1953.) State had to review the report draft overnight and restricted its letter and enclosures to a correct restatement of the Department's position on the PERICO and MIRAMAR cases. (Letter from Norton to Flanagan, 9 July 1953.) The responsible COMI operation had two

hours to review the report. None of the reviewers saw any of the exhibits as they were to appear in the report. For example, OII had to make a rough check on the figures cited in the report without having the actual exhibits on hand and despite the fact that the committee compiled its own ship listings from a variety of OII and OIMS submissions. The committee Interim Report did not incorporate most of the changes suggested by the reviewers nor did it include some exhibits specifically suggested by them for inclusion. The enclosed document is the final Interim Report; however, another report will be issued at a later date when the committee has finished its investigation.

Accuracy of Important Aggregates

3. In view of the fact that OII, State and OIMS have reviewed the details of this report, this Office has not attempted to determine the accuracy of the numerous details involved. It has, however, gone over some of the more important aggregates and has noted the following:

- a. Exhibit 1 in the Senate Subcommittee Report, on page 22, presents a graph of the involvement of Western flag vessels trading with Communist China. The monthly pattern of this involvement is almost identical with that contained in graph III following page 8 in KIC-SI-S2. There are some differences in the number of vessels involved but they are not significant.
- b. Exhibit 2, on page 23 of the Subcommittee Report, graphs the involvement of Western flag vessels for selected countries including the UK. This includes coastal and was checked against Table C-3 and C-4 in KIC-SI-S2 and no significant differences were noted.
- c. Page 6 of the Subcommittee Report notes the dollar volume of exports to Communist China. These were checked against KIC-SI-S1 and S2 for 1951 and 1952. For both years the Subcommittee Report of the volume of trade was lower than that indicated in the EIC documents probably due to its omission of estimates on smuggling and trans-shipment. It is also interesting to note that the Subcommittee Report listed no US exports to China for 1951 (which is in line with the subcommittee's principal argument), while in fact the US exported about three million dollars worth.
- d. The report has no information on the total cargo-carrying capacity of ships arriving in Communist China, but does indicate that there were two thousand such arrivals since the beginning of the war. This is somewhat higher than we can account for but OII has indicated that the figure is sufficiently accurate.

e. Certain individual sentences were found to be in error; for example the report says, "Because of the tremendous transportation problem, it has been patently impossible for the USSR and her European Satellites to supply successfully their part of the war effort completely by land." (p. 3.) This does not jibe with the EIC findings. Second, the report notes, "For the most part, information on the cargoes being carried by these vessels is still unknown not only to the subcommittee, but also the Executive Branch of the Government." (p. 4.) While admittedly this is a problem, we do have manifest information on all vessels loading in Hong Kong as well as some others.

f. It is reported to us that CIOIS and EDG/EDY, State, view the report about in the same manner as the editorial in the Washington Post for Tuesday, 21 July 1953, p. 10: "Nowhere does the report really grapple with the realities of economic warfare or point up the fact that what really counts is who gets the net benefit from Iron Curtain trade." In fact, the report hardly touches on the commodity composition of this trade at all with the exception of some reference to rubber imports.

g. One final point, the subcommittee quotes a letter received from Frank Nash (p. 8) and another from the Secretary of Defense (p. 7), both of which seem to give more importance to this trade, as it relates to the Korean war, than did SS-27 and SS-37. Their general thoughts as to the importance of this trade are carried into the conclusions of the subcommittee report (pp. 18-21).

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OTTO S. CUTTER

Attachments (2)

CH/C/RR:WNM:mff (28 July 1953)

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